

***Remarks***

Reconsideration of this Application is respectfully requested. Claims 1-22 are pending in the application, with 1, 13, and 20 being the independent claims. Claims 1, 13, and 20 are sought to be amended. The amendments adding “security positions” and “exchange traded fund” to the bodies of the claims are solely for purposes of making the claim language even clearer than it already was; these amendments are fully supported by the claims as originally filed, and do not narrow the scope of the claims. The amendments adding the phrase “wherein the security positions of the fund are kept confidential” are to explain the purpose of the encryption and decryption steps in the claims; these amendments are supported by the claims as originally filed and by the specification, particularly at page 11, lines 5-24. Entry of these amendments is respectfully requested.

### ***Interview Summary***

The Applicants thank the Examiner for taking the time on January 27, 2004, to discuss the issues in this application. During the interview, the Applicants explained the invention to the Examiner. Specifically, the Applicants informed the Examiner of the problem solved by the invention, that actively managed funds cannot be traded on public exchanges in part because investors have insufficient information on which to base negotiated prices, and actively managed fund managers have a duty to keep their fund assets confidential. The Applicants explained that the present invention solved this problem by providing a means, encryption, to keep the fund assets confidential and a means, intra-day net asset value calculation, to provide investors with sufficient information to trade shares of the fund. Thus the present invention provides a way to allow for exchange traded funds whose assets are kept confidential.

The Examiner observed that net asset value calculations were old in the art, and that encryption was old in the art. The Applicants agreed that, by themselves, net asset value calculations and encryption were old in the art. However, the Applicants pointed out that what made the present invention new and non-obvious was a combination of three things: (1) exchange traded funds, (2) encryption, and (3) net asset value calculations. The Applicants explained that nothing in the prior art taught or suggested this combination, and specifically, that the art cited by the Examiner in the rejections did not teach or suggest this combination. Thus no prior art teaches or suggests applying encryption and net asset value calculation in the context of exchange traded funds. The Applicants further pointed out that Kane does not teach or suggest exchange traded funds, and that there was no suggestion in Kane or in Newton to combine Kane and Newton, and therefore that Kane and Newton did not teach the combination of encryption and a net asset value calculation.

The Examiner agreed that the art cited in the rejections does not teach or suggest the combination of the three elements pointed out by the Applicants. However, the Examiner was concerned that in some of the claims, the term “exchange traded fund” appears only in the preamble, and not in the body of the claims. The Applicants pointed out that the body of the claims refers to “the fund,” which has an antecedent basis in the term “exchange traded fund,” but nevertheless agreed to amend the body of the claims to refer explicitly to the fact that the fund is an “exchange traded fund.” The Examiner suggested that the Applicants further limit their claims to distinguish the cited art. The Applicants agreed to add the phrase “wherein the security positions of the fund are kept confidential” in order to explain the purpose of the encryption step. The Examiner agreed to reconsider the application in view of these amendments.

The Examiner pointed out that the application is under final rejection. The Examiner stated that he may be required to do additional searching in view of his new understanding of the invention and of the amendments made herein, and that if such additional searching was required on his part, the Applicants would be required to file a request for continued examination.

***Rejections Under 35 U.S.C. § 103***

The Applicants submit that all of the rejections for obviousness were adequately traversed in the Arguments section of the Reply and Amendment filed on October 27, 2003. The Applicants argue that the claims are allowable for the following reasons.

**1. The Rejection of Claims 1, 2, 8-11, 13, 14, 17-19, 20, and 22 Over Kane In View Of Newton Should Be Withdrawn.**

The Examiner rejected claims 1, 2, 8-11, 13, 14, 17-19, 20, and 22 under 35 U.S.C. § 103(a) as allegedly having been obvious from the combination of U.S. Patent Number 6,317,728 (“Kane”) in view of Newton’s Telecom Dictionary (“Newton”). The Applicants request reconsideration of this rejection and that it be withdrawn.

*a. Independent Claims 1, 13, and 20*

The rejection states that “Kane ‘728 discloses the claimed invention except for receiving in an encrypted format data.” (Paper No. 4, page 2). The Applicants respectfully dispute the Examiner’s reading of Kane.

The Applicants submit that this rejection fails to establish *prima facie* obviousness. There is no statement in the rejection that the combination Kane in view of Newton teaches or suggests all of the claim limitations of the independent claims (1, 13, and 20), and there is no indication in the rejection of where in Kane or Newton any of the independent claim limitations can be found.

It is clear that Kane discusses an invention that is completely unrelated to the presently claimed invention. Kane discusses a system for automated buying and selling of stocks according to a set of rules that are adjusted according to the performance of the system. The Kane system can automatically place buy or sell orders (col. 2, lines 53-54) according to a set of

rules (col. 2, lines 65-66). The system can evaluate whether the rules it uses tend to make money or lose money (col. 8, line 33 – col. 10, line 46). It can then adjust the rules by which it places buy and sell orders in order to train the system to make trades that result in profit (col. 11, lines 19-43).

The presently claimed inventions are directed to systems and methods that are entirely different from anything disclosed by Kane. The presently claimed systems and methods involve exchange traded funds (ETFs) with secret portfolios. In order to trade these funds on secondary markets, investors and market specialists must have some idea what the funds are worth (i.e., they must know the approximate underlying values of the funds) during the trading day. But because the identities and quantities of the securities held in the funds are kept secret by fund managers, it has previously been impossible to determine the approximate intraday values of the funds during the trading day, and hence, it has been impossible to allow trading of shares of these funds on secondary markets. The present invention provides a solution by providing a system and method for determining an NAV proxy (approximate intraday value of the fund during the trading day) for ETFs.

All claims recite either the steps of or a system for (1) receiving an encrypted file containing adjusted portfolio information, (2) decrypting the file to provide the security positions in the fund, and (3) calculating an intra-day NAV proxy for the fund. Not one of these elements is taught or suggested anywhere in Kane, let alone all three. Kane has nothing to do, and never even mentions, exchange traded funds, and certainly has nothing at all to do with providing NAV proxy information regarding a secret portfolio fund. Therefore, Kane does not disclose the claimed invention, and nothing in Kane suggests that it should be combined with any sort of encryption technique, such as those mentioned in Newton.

The rejection further cited Newton's Telecom Dictionary ("Newton"), page 710, for the proposition that "it is known in the art that a SSL protocol is a transport level technology for authentication and data encryption between a Web Server and a Web Browser." (Paper No. 4, page 2). The Applicants respectfully submit that even if encryption technology is known in the art, there is no teaching or suggestion in Kane, Newton, or any combination thereof, of applying encryption to a fund portfolio to ensure secrecy of the fund portfolio, applying decryption to determine the contents of the fund portfolio, and updating a NAV proxy during the day based on the contents of the decrypted fund portfolio. Thus the combination of Kane and Newton fails to establish *prima facie* obviousness.

The rejection states that "Kane ... further discloses calculating the intra-day net asset value proxy for the fund by applying prices received from a quote feed to security positions in the fund portfolio. Col. 10, lines 65-67, Col. 11, lines 1-8." The Applicant respectfully disputes this reading of Kane. The cited portions of Kane read:

The trading system monitors a portfolio of securities in real time, executing buy, sell, sell short, and buy to cover trades automatically. ... The system is targeted to intra-day trading, a method of trading well suited to computer automation. A combination of real time monitoring of a portfolio of stocks and no holding of positions overnight (trading flat) can shield an investor from loss while maximizing gain. The system performs the kind of careful, tireless monitoring required, giving the user a daily return on his investment while minimizing risks."

There is no mention here of calculating an intra-day NAV proxy for a fund. While the cited portion mentions "intra-day trading," the context is automated trading: there is no indication that the system monitors anything other than the prices of individual stocks, and there is certainly no indication that the system monitors or calculates a net asset value proxy. There would be no motivation to do so in Kane.

The rejection fails to establish *prima facie* obviousness of any of the independent claims, thus all claims should be allowable.

*b. Dependent Claims 2, 14, and 22*

The rejection states that Kane discloses “disseminating the intra-day net asset value proxy for the fund on a continual basis throughout a trading day. Col. 8, lines 25-32.” (Paper No. 4, page 3). The Applicants disagree with this reading of the cited passage. Those lines of Kane discuss a system that provides a

real time internet client allowing users to monitor trade execution and position values held so that a customer can feel connected to the trading environment. The computer makes the decisions but can be monitored remotely. Wealth-BUILDER also allows customer override and entry of trading commands and provides a single screen for quote and position information.

There is no mention here of determining an intra-day NAV proxy for an exchange traded fund. The most Kane can be read to teach here is calculation of “position values held” and “quote and position information,” not for an exchange traded fund, but rather for a group of investments held by a private investor and monitored by Kane’s automated trading system. Furthermore, there is no mention here of calculating the net asset value of the group of investments monitored by the Kane trading system, and there is certainly no mention of calculating any sort of NAV proxy for that group of investments. No *prima facie* obviousness has been shown for claims 2, 14, and 22.

*c. Dependent Claims 8 and 17*

The rejection states that Kane discloses “decrypting a portfolio file received from the fund and populating a table with fund positions including a security identifier and quantity of shares held in the fund. Fig. 19”. (Paper No. 4, page 3). While Fig. 19 of Kane does show a

spreadsheet with stock symbols, it does not appear to show any sort of indicator of “quantity of shares held in the fund.” The headings in Fig. 19 of Kane are related to the market price indicators and trading volumes of the listed stock symbols – but no heading relates to a number of shares held. No *prima facie* obviousness has been shown for claims 8 and 17.

*d. Dependent Claims 9 and 18*

The rejection states that Kane discloses “continually receiving quotes from a quote feed; and determining whether a currently received quote corresponds to a security in the table. Col. 10, lines 47-67, Col. 11, lines 10.” (Paper No. 4, page 4). The cited passages of Kane read:

Wealth Wizard™ manages the portfolio in real time to optimize profit or cut loss. The primary reasons to drop a position are: [Table omitted]

The classification of a position as win or loss (good decision or bad decision) is important in the learning process.

The trading system monitors a portfolio of securities in real time, executing buy, sell, sell short and buy to cover trades automatically.

...

When the system wakes up in the morning, it interrogates the brokerage account to obtain available capital, available margin, and other relevant information.

This citation discusses several things completely unrelated to the claim limitations at issue in claims 9 and 18. The portions from col. 10 discuss managing a portfolio in real time, monitoring a portfolio, and executing trading orders – but do not mention receiving quotes from a quote feed and determining whether a quote corresponds to a security in a table. The portion from Col. 11 discusses gathering information from a brokerage account regarding how much money an investor has to invest (available capital), how much trading on credit the investor is allowed (available margin), and undisclosed “other relevant information” – but nothing here either has anything to do with receiving quotes, and nothing here has anything to do with determining

whether a received quote corresponds to a security in any table. No *prima facie* obviousness has been shown for claims 9 and 18.

*e. Dependent Claims 10, 11, and 19*

The rejection of claims 10, 11, and 19 states that “it is inherently obvious that to calculate the position (value of the holding of a security) of a security, it is well known and understood that the number of shares multiplied by the current quote equals the value position of the security.” (Paper No. 4, page 4). This statement fails to establish *prima facie* obviousness of claims 10, 11, and 19 because it ignores most of these claims.

Claims 10, 11, and 19 recite (in part) “retrieving a number of shares in the position,” and claims 11 and 19 recite calculating a new fund NAV proxy by taking the sum of the values of the current positions in all of the securities in the table. The rejection does not address these recitations of the rejected claims, and thus fails to establish *prima facie* obviousness of these claims.

**2. The Rejection of Claims 3, 4, 15, and 16 Over Kane and Newton in view of Wolfberg Should Be Withdrawn.**

The Examiner rejected claims 3, 4, 15, and 16 under 35 U.S.C. § 103(a) as allegedly having been obvious from the combination of U.S. Patent Number 6,317,728 (“Kane”) and Newton’s Telecom Dictionary (“Newton”) in view of U.S. Patent No. 5,214,579 (“Wolfberg”). The Applicants request reconsideration of this rejection and that it be withdrawn.

As shown above in section 1, the combination of Kane and Newton does not establish *prima facie* obviousness of any of the rejected claims. Wolfberg does nothing to supplement the deficiencies of Kane and Newton with respect to the independent claims or any of the dependent claims.

The rejection cites Wolfberg for an alleged teaching that a “portfolio is adjusted to reflect any transactions made on the prior trading day. Fig. 15A-B.” (Paper No. 4, page 5). Even if Fig. 15A-B of Wolfberg could be read to teach adjusting a portfolio to reflect transactions made on the prior trading day (which it cannot), this still does not address the fact that neither Wolfberg nor Kane mention or calculate a NAV proxy.

The rejection cites Kane for teaching “managing the portfolio in real time and taking into account all costs to optimize profit or cut loss. Col. 10, lines 47-67, col. 11, lines 1-17.” (Paper No. 4, page 6). But this is not the same as adjusting a portfolio to reflect transactions from the prior trading day. The rejection states that “it is inherent in the determination of profit/loss that all costs be incorporated into the calculations when made available.” (Paper No. 4, page 6). Even if this were true, it still does not address the claim recitations in claims 3 and 15 to update a portfolio for an exchange traded fund. The rejection states that Wolfberg teaches a system “wherein the portfolio is adjusted to take into consideration factors such as dividend credits and expenses attributable to the current trading day. Fig. 15A-B.” (Paper No. 4, page 6). The Applicants dispute that Fig. 15A-B of Wolfberg teaches what the rejection alleges, and submit that Fig. 15A-B of Wolfberg does not involve updating a portfolio, or calculating a NAV proxy based on the updated portfolio.

**3. The Rejection of Claims 5-7 and 21 Over Kane and Newton in view of Atkins Should Be Withdrawn.**

The Examiner rejected claims 5-7 and 21 under 35 U.S.C. § 103(a) as allegedly having been obvious from the combination of U.S. Patent Number 6,317,728 (“Kane”) and Newton’s Telecom Dictionary (“Newton”) in view of U.S. Patent No. 5,875,437 (“Atkins”). The Applicants request reconsideration of this rejection and that it be withdrawn. As shown above in

section 1, the combination of Kane and Newton does not establish *prima facie* obviousness of any of the rejected claims. Atkins does nothing to supplement the deficiencies of Kane and Newton with respect to the independent claims or any of the dependent claims.

Regarding claims 5 and 6, the rejection states that Kane “does disclose encryption and SSL internet protocol” and that Atkins does teach that a “net asset value proxy calculation is executed within a trusted system. Col. 32, lines 48-60.” (Paper No. 4, pages 7 and 8). Nothing in the cited portions discusses any sort of calculation, let alone a net asset value proxy calculation.

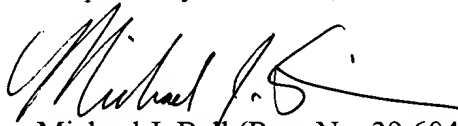
Regarding claims 7 and 21, the rejection states that Atkins teaches “denying access to the decrypted portfolio file from outside of the calculation process. Col. 32, lines 48-60.” (Paper No. 4, page 8). The only possibly relevant part of the cited portion of Atkins reveals only that the system can “prevent unauthorized use of the MyNet™ instruments.” (Atkins, col. 32, line 59). There is no mention of a decrypted portfolio file or a process for calculation of a NAV proxy.

### ***Conclusion***

All of the stated grounds of objection and rejection have been properly traversed, accommodated, or rendered moot. Applicants therefore respectfully request that the Examiner reconsider all presently outstanding objections and rejections and that they be withdrawn. Applicants believe that a full and complete response has been made to the outstanding Office Action and, as such, the present application is in condition for allowance, or alternatively, in better form for appeal. If the Examiner believes, for any reason, that personal communication will expedite prosecution of this application, the Examiner is invited to telephone Michael Stimson at (202) 383-6906.

Prompt and favorable consideration of this Amendment is respectfully requested.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael J. Bell", with a stylized flourish extending to the right.

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